

March 27, 2009

Jennifer J. Johnson, Secretary  
Board of Governors of the Federal Reserve System  
Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, N.W.  
Washington D.C. 20551

**Re: Proposed Amendments to Regulation E, Docket No. R-1343**

Dear Ms Johnson:

On behalf of Rockville Bank, I'd like to express our appreciation for being given the opportunity to voice our thoughts and concerns regarding the proposed changes.

Rockville Bank's philosophy is to do what is best for the customer and to educate them as it pertains to their financial business. It is commendable that the Board is seeking to make Overdraft Privilege Programs consistent and fair. However, there are some areas of the proposal that are of concern.

**Right to Partially-Opt Out or Opt-In**

**Opt-Out - The Board proposes that institutions provide customers notice to Opt-Out for overdraft service at account opening for ATM withdrawals & one time debit card transactions. Also must provide customer with additional notice before overdrafts charges are assessed and on subsequent statements cycle when an overdraft fee is assessed.**

**Opt-In - The Board proposes that institutions provide customers notice to Opt-In for overdraft service for ATM withdrawals & one time debit card transactions before overdraft charges are assessed. Will not require additional notice before overdrafts charges are assessed.**

Rockville Bank agrees and supports giving customers the right to Opt-Out. We currently automatically enroll customers into the service 30 days after account opening and if eligibility requirements are met. Along with automatic enrollment, customers are informed in writing of the Opt-Out option available to them at any time. Customers using the service decide how

it works for them and either continue with the service if they decide it works for their situation or call us to discontinue the service. Customers are willing to pay a fee for the service and are given alternatives if and when they choose to Opt-Out.

We support an “Opt-Out” rather than Opt-In provision. Opting in adds no additional value to customers and would be extremely costly to financial institutions.

### **Partial Opt Out**

**The Board proposes a partial opt out right that would allow customers to Opt-Out of certain transactions such as ATM withdrawals and for some, not all, debit card transactions at point of sale.**

We do not support a “Partial Opt-Out” which would allow customers to retain overdraft privilege for checks and ACH transactions but not ATM and one time debit card transactions. Many customers do not understand banking transaction types and this would only confuse the customer. A Partial Opt-Out would also be very difficult to implement from a technology stand point. It would require that we make system changes to our core processing system at a significant cost to us in order to be able to differentiate these transactions and comply with this ruling for correct processing of overdrafts. In addition, educating customers as to which transactions are subject to Partial Opt-Out will cause confusion to them and belief that Partial Opt-Out will mean never being charged an overdraft fee for any transactions.

### **Exceptions to Opt-Out Requirements**

**The Board proposes exceptions to the general rule that financial institutions cannot impose a charge for paying an overdraft created by a customer who has opted out of the institution’s overdraft payment program.**

This would be very difficult to implement from a technology stand point for a bank our size as it would require an actual real-time system with real-time tracking as transactions occur. It would require that we make system changes to our core processing system at a significant cost to us.

### **Debit Holds**

**The Board proposes prohibiting the charging of an overdraft fee if the overdraft was as a result of debit hold in excess of the actual transaction amount and at the time of the original transaction amount would not have caused an overdraft.**

Imposing this rule in the proposal will require extensive technological updates for most financial institutions to develop system changes at a significant cost to us by which an overdraft analysis can be performed to assess retroactive balances at time of debit hold versus actual purchase amount.

Banks are unable to control the amounts merchants send through for preauthorization’s therefore preauthorization’s or debit holds are treated as holds and prevent other debits from

being paid from the account. If banks do not send payment for an authorized transaction until the transaction is presented for settlement by the merchant and wait until then to debit the customers account, we are exposing ourselves to an increase of non payment for those transactions and potential losses.

Implementing the technology necessary to comply with the proposed debit card holds would be complex and expensive to small financial institutions like ours. We currently do not allow our customers to access their ODP limit with an ATM or debit card, however, if a transaction is preauthorized when the customer had funds but posts bringing the customer negative, an overdraft charge may be imposed.

Again, we are appreciative of the Boards effort to obtain banks thoughts regarding these proposed changes. We respectfully request that our concerns for the proposed changes and current practices be given consideration. Our main concern is to bring fair, helpful practices to our customers and to provide information in a practical, not cumbersome manner while maintaining efficient operations at our institutions.

We thank you in advance for your time and consideration.

Sincerely,

Marisol T. Anderson  
Vice President, Call Center & Project Manager